

SCOPE OF WORK FOR S&R AUDITOR / BG Audit.

The scope of work of Stock and Receivable Auditor covers all the aspects that have direct impact on the working capital / operations of the unit as well as the aspects relating to inventories that have a bearing on the bank finance.

The illustrative list of scope of work to be allotted to the S&R Auditor are as follows:

a. Physical verification of 100% of inventory where number of locations are up to 4 and where number of locations are more than 4, then Physical Verification be conducted for minimum 60% of the finished goods, stores, spare parts and raw material covering at least 4 locations. In case stocks are lying at 4 or more locations, SRA should be done simultaneously for 4 locations.

However, reconciliation of FG/ Raw Material/ Work In Progress/ Spare Parts etc. position based on books has to be carried out covering 100% and Auditor has to confirm the same in the report.

b. Verification of condition of storage

c. Valuation of inventories and pointing of variances

d. Verification of stocks at third party locations / Specialized zones / licensed / bonded warehouses / on job work if any.

e. Verification of sold stock pending delivery and sales return / rejections if any.

f. Valuation of obsolete / non-moving inventories

g. Age-wise categorization of inventories

h. Evaluation of the inventory management of the company / unit

i. Reconciliation of inventories statements submitted with the accounting records maintained by the borrower particularly relating to quantity, rate, value of inventories, age, marketability etc.,

j. Verification and evaluation of sundry creditors indicating separately those relating to inventories and their relationship with Bank finance.

k. Verification of built up of current assets on account of trade related transactions /maintained by the borrower particularly relating to quantity, rate, value of inventories, age, marketability etc.,

l. Commenting on the source of raw material, i.e., whether any credit is available for the material and which of the items are available against cash payments.

m. Review of inventory valuation system of the company

n. Age-wise and value wise qualification of debtors.

o. Collection mechanism in force for recovery of receivables

p. Determination of drawing power (DP)

q. Commenting on the adequacy of insurance cover.

r. Verification of documents/ securities.

r. Commenting on the compliance of terms and conditions of the credit limits sanctioned.

t. Verification of transactions with sister concerns / group companies / related parties, unsecured loans to directors and others.

u. GST Returns filed by the borrower / unit.

v. Status of statutory dues / overdues

w. Defaults of borrowers with other banks / financial institutions

X. Status of statutory approvals such as pollution control board / special licenses

y. Status of registration of charge with ROC

Z. Any other matter of interest to the bank.

BG Audit:

BG Audit covers BG risk analysis, risk of invocation of BG based on the milestone progress of the project, delay in performance of the project, verification/ break up of BG issued etc. BG Audit, wherever appointed/ applicable is part of Stock & Receivable Audit.

The illustrative list of scope of work to be allotted for the BG Audit are as follows:

- a. BG Risk analysis – project wise – Category of risk- Previous Risk
- b. Verification of BGs availed from various banks / FIs and verification of its utilization for the purpose for which they have been issued.
- c. In respect of BGs issued for Mobilization Advance, whether the advance has been received. If so, whether the mobilization amount has been deposited in the bank which has given the BG and utilized for the purpose for which it has been issued.
- d. Whether there has been any delay in performance of work for which the BGs have been issued.
- e. Verification of invocation of BGs if any and risk of invocation of BGs based on milestone progress of the project.
- f. Whether all BGs issued by Banks have been recorded in the books of the company.
- g. Verification of the break-up of BGs issued for Bid Bonds, Financial Guarantees, Performance etc.,
- h. Verification of BGs issued on behalf of joint ventures, special purpose vehicle and on behalf of principal contractor.
- i. Verification of extension of BGs if any
- j. Status of the project for which BGs have been issued (Active / Running / Stalled / Terminated / Slow Moving / Completed)